



EAST KENTUCKY POWER COOPERATIVE

November 15, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED
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PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen:

Re: PSC Case No. 2010-00021

In accordance with the Commission's Order in Case No. 2010-00021 dated November 5, 2010, enclosed are an original and six (6) copies of East Kentucky Power Cooperative, Inc.'s tariff sheet for Rate ES—Environmental Surcharge, which shows the approval by authority of the Order.

If you have any questions about this filing, please feel free to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Ann F. Wood".

Ann F. Wood
Manager, Regulatory Services

Enclosures

EAST KENTUCKY POWER COOPERATIVE, INC

RATE ES – ENVIRONMENTAL SURCHARGE

APPLICABILITY

Applicable to all sections of this rate schedule and this rate schedule shall apply to each Member System.

AVAILABILITY

This rate schedule shall apply to EKPC rate sections A, B, C, E, and G and all special contracts with rates subject to adjustment upon the approval of the Commission.

RATE

The Environmental Surcharge shall provide for monthly adjustments based on a percent of revenues equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$\text{CESF} = \text{E(m)} / \text{R(m)}$$

$$\text{MESF} = \text{CESF} - \text{BESF}$$

MESF = Monthly Environmental Surcharge Factor

CESF = Current Environmental Surcharge Factor

BESF = Base Environmental Surcharge Factor of 0%

where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and R(m) is the revenue for the current expense month as expressed below.

Definitions

$$(1) \text{E(m)} = [(\text{RB}/12)(\text{RORB}) + \text{OE} - \text{BAS} + (\text{Over})\text{Under Recovery}]$$

where:

(a) RB is the Environmental Compliance Rate Base, defined as electric plant in service for applicable environmental projects adjusted for accumulated depreciation, CWIP, cash working capital, spare parts and limestone inventory, emission allowance inventory;

(b) RORB is the Rate of Return on the Environmental Compliance Rate Base, designated as the average cost of debt for environmental compliance plan projects approved by the Commission plus application of a times-interest-earned ratio of 1.35;

DATE OF ISSUE November 15, 2010 DATE EFFECTIVE: November 5, 2010

ISSUED BY  TITLE President & Chief Executive Officer

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- (c) OE is the Monthly Pollution Control Operating Expenses, defined as the average of the twelve month operating and maintenance expense; depreciation expense, property taxes, insurance expense, emission allowance expense, and consulting fees.;
- (d) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;
- (e) (Over) or Under recovery amount resulting from the amortization of amounts determined by the Commission during six-month and two-year reviews and the one-month "true-up" adjustment. (T)

(2) Total E(m) is multiplied by the Member System Allocation Ratio to arrive at Net E(m). The Member System Allocation Ratio is based on the ratio of the 12-month total revenue from sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the 12-month total revenue from sales to Member Systems and off-system sales.

(3) The revenue R(m) is the average monthly revenue, including base revenues and automatic adjustment clause revenues less Environmental Cost Recovery Surcharge revenues, for EKPC for the twelve months ending with the current expense month.

(4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

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